

## **CORPORATE GOVERNANCE AND INTERNAL AUDIT CHALLENGES IN A DECENTRALISED PUBLIC GOVERNANCE SYSTEM IN GHANA**

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### **ABSTRACT**

*Internal auditing function is central to good corporate governance. It provides the administrative framework within which financial transactions are to be performed. The study sought to examine the challenges facing the internal audit function of a decentralized government system in Ghana. It adopted cross-sectional and descriptive study designs. A total of 132 respondents, comprising 76 staff of CCMA and 56 Assembly persons, were sampled from a population of 206. Stratified random sampling was used to sample respondents for the study. The study adopted questionnaire as the instrument to gather data from the respondents. The study found that the effectiveness of internal auditing to corporate governance was limited by lack of punitive measures to deter people from flouting directives from the internal audit unit. The study recommends that the internal audit unit in collaboration with the management of the Assembly should institute punitive measures to personnel who flout directives from the unit.*

**KEYWORDS:** *Corporate Governance, Internal Audit, Shareholder, Stakeholder Theory*

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### **INTRODUCTION**

The global financial crisis has sparked significant changes in the philosophy, intensity and approach of financial services regulation around the world. Considering the increased regulatory scrutiny as well as directives from executives of organisation to strengthen controls and improve risk management, Cohen, Krishnamoorthy and Wright (2002) indicate that internal audit's responsibilities are widening rapidly. To achieve the quality of governance, the company must focus on all cornerstones of corporate governance and in particular the internal audit function. Business leaders expect internal audit to play a more strategic – rather than merely tactical – role in the governance process.

Internal auditing is an integral part of corporate governance in both the public and the private sectors (Cohen & Hanno, 2000). It is a champion in assessing opportunities where corporate governance can be strengthened and suggesting corrective action as needed. It helps in improving public confidence in corporate governance. Internal auditors can meet the heightened expectations by taking a more holistic view of corporate governance and aligning internal audit skills and activities to assess, improve, and monitor their organizations' corporate governance capabilities. They are to evaluate and contribute to the improvement of risk management, control, and governance.

It has been widely recognized that the role of the internal auditor becomes increasingly more important in terms of creating good corporate governance structures (Allegrini, D'Onza, Paape, Melville & Sarens, 2006; Carcello, Hermanson & Raghunandan, 2005; Nagy & Cenker, 2002). The internal auditor is tasked with the gathering of information on inappropriate accounting practices, inadequate internal controls, and ineffective corporate governance.

A focus on corporate governance, thus, offers internal audit the opportunity to become a more active and strategic team player. Cohen and Hanno (2000) state that the rewards of improved corporate governance encompass more than a greater sense of personal accomplishment or company pride. They assert that internal audit plays a pivotal role in fostering an integrated, well-planned and progressive governance programme which has the effect on profitable investment opportunities.

Carmichael, Willingham, and Schaller (1996) mention that internal auditing is an important managerial control device which is directly linked to the organizational structure and the general rules of the business. Internal auditors provide management with information concerning the organization's financial, operational and compliance activities to improve effectiveness, efficiency, and economy of management performance and activities (Arena & Azzona, 2009).

However, there are specific challenges for the internal audit functions of organizations, and many of the lessons should encourage corporate governance within organizations across all sectors and avoid a passive internal audit function. For example, Rishel and Ivancevich (2003) report that internal audit will always have the challenge of remaining independent and objective while being part of the organization. They believe that internal auditing requires business knowledge, insight, good judgment, and effective communication. Consequently, internal auditors need many years of business experience and insights to become highly valued and to increase their skill levels in order to contribute greater value, help strengthen governance and improve company performance.

According to Cohen, Krishnamoorthy, and Wright (2004), the biggest challenge facing organizations and their internal auditors is the lack of a one-size-fits-all method to improve corporate governance. Each organization must tailor an individual solution that considers its industry, maturity, business strategy, capabilities, corporate culture, and competitive position. Since there is no quick solution for addressing this multifaceted challenge, Cohen et al. (2004) advise that keeping the focus on good governance over the long term is an important goal for most organizations.

In Ghana, well-performing internal audit function is considered as one of the strongest means in order to monitor and promote good governance system in a company. Good governance is considered as a tool that is used in order to achieve the strategy of a company (Belay, 2007). As one of the important keystones and foundations of corporate governance, internal auditors are anticipated to work with audit committees, boards, and senior management to help to guarantee that ethical behavior flows down all the way through the ranks to lower level employees (Bailey, Gramling & Ramamoorti, 2003).

The Cape Coast Metropolitan Assembly (CCMA) is one of the 20 political and administrative Districts in the Central Region of Ghana. As statutorily required, the Auditor-General, in accordance with Articles 187(2) and 253 of the 1992 Constitution of the Republic of Ghana and Section 121 of the Local Government Act, (Act 462), undertakes the auditing of the management and utilisation of the District Assemblies' Common Fund and other Statutory Funds annually. The Assembly undertakes an annual audit of all the Assemblies under the Metropolis in order to submit an audit report to Parliament. The exercise is also to ensure that the operations of the Assembly are not characterized by the widespread disregard for and non-compliance with rules, regulations, policies, procedures, and instruments which had been introduced

to ensure effective and efficient management of resources placed at the disposal of the Assembly.

### **Statement of the Problem**

The scope of internal auditing requirements has increased tremendously and this has affected the role internal auditing plays in the context of corporate governance. Bostan and Grosu (2010) indicate that there is now the greater focus on corporate governance and the assessment of the internal audit function's role in organisations. The establishment of the IAA by an Act of Parliament in 2003 helps to coordinate, facilitate and provide quality assurance for internal audit activities within public sector institutions (the IAA Act 2003, Act 658). The Auditor-General is therefore mandated to undertake the auditing of the management and utilization of the District Assemblies' Common Fund and other Statutory Funds annually for Parliament.

However, today's happenings in business pose new and challenging problems to internal auditing activities. The requests and regulations of the several branches and agencies of government demand a complete knowledge by internal auditors of their effect on the normal function of the companies they represent. Understaffing and limited and erratic supply of resources have also been some of the major challenges limiting the effectiveness of the internal audit functions in promoting good corporate governance in the Ghanaian public sector.

Further, the Internal Audit function in the Ghanaian public sector faces a perception and, to some extent, a credibility problem as a value adding a unit of public organizations. The Internal Audit Agency (2006) believes that the importance of Internal Audit is "shrouded in obscurity". These unfortunate background issues continue to play down the importance of Internal Audit as a key function that can strengthen the oversight responsibility of the governing body. Chief executives, boards, audit, and risk committees have also increased expectations of the depth and quality of the work which needs to be performed by their organization's internal audit function in relation to corporate governance. Bailey et al. (2003) report that the internal audit function continues to play only a minor role in many organizations.

How do the afore-mentioned problems limit the effective functioning of the internal audit function of public organizations to enhance corporate governance? The study, therefore, sought to examine the challenges facing the internal audit function of CCMA in contributing towards corporate governance.

The general objective of the study was to examine the internal audit function in corporate governance at the Cape Coast Metropolitan Assembly.

### **Specifically, the Study Sought to:**

- Examine the challenges facing the internal audit function at CCMA.
- Make recommendations on how to improve corporate governance at the CCMA through internal auditing.

The study sought to find answers to the question of the challenges the internal audit function of CCMA encounter in its activities?

### **Theoretical Framework**

The study adopted the stakeholder theory of corporate governance to help study the codes of practice in corporate governance.

The stakeholder theory which assesses governance and performance was important for this study. It was originally developed by Ed Freeman in the 1980s. Stakeholders are instrumental to the corporate success and have moral and legal rights (Donaldson & Preston, 1995). The theory challenges agency assumptions about the primacy of shareholder interests.

Conversely, the stakeholder theory argues that there are a whole variety of stakeholders involved in the organization and each deserves some return for their involvement. According to the theory, the benefit is maximized if the business is operated by its management on behalf of all stakeholders and returns are divided appropriately amongst those stakeholders, in some way which is acceptable to all (Freeman, 1984). Unfortunately, Freeman and McVea (2001) mention that a mechanism for dividing returns amongst all stakeholders which have universal acceptance does not exist, and stakeholder theory is significantly lacking in suggestions in this respect.

Nevertheless, stakeholder theory has some acceptance and is based upon the premise that operating a business in this manner achieves, as one of its outcomes, the maximization of returns to shareholders, as part of the process of maximizing returns to all other stakeholders. This maximization of returns is achieved in the long run through the optimization of performance for the business to achieve maximal returns to all stakeholders. Consequently, Blair (1995) advises that the role of management is to optimize the long-term performance of the business in order to achieve this end and thereby reward all stakeholders, including themselves as one stakeholder community, appropriately.

The theory argues that a company should be managed in the interests of all its stakeholders. These interests include not only those of the shareholder but also a range of other direct and indirect interests (Freeman & McVea, 2001). Employees are obviously key stakeholders and they have a voice in the governance of the firm. Suppliers and customers have strong direct interests in company performance, while local communities, the environment as well as society at large have legitimate indirect interests.

The argument that is repeatedly raised against a stakeholder view of the firm is that it is hard to operationalize because of the difficulties of deciding what weight should be given to different stakeholder interests. In terms of corporate governance, Kaptein and van Tulder (2003) argued that if executives are to be made accountable to all of a company's stakeholders, they will, in effect, be answerable to none. Enlightened stakeholder theory, therefore, suggests the practical value of accountability to shareholders even if a board takes other interests into account in its conduct of a firm.

The stakeholder theory of corporate governance was used to explain that those who have a stake in the functioning of the Cape Coast Metropolitan Assembly (CCMA) are made up of large and diverse groups. There are many stakeholders with different goals and they seek different benefits from the Assembly. For example, employees of the Assembly seek job security, the Ghana Revenue Authority wants its tax payments, and the community wants a solid economic base. The stakeholder theory helped to describe that these different interests control the Assembly in their own specific ways, and none has any better right to have its voice heard than any other.

## **METHODOLOGY**

This section looks at the methodology used to collect and analyze data for the study.

### **Research Design**

The study adopted cross-sectional and descriptive study designs. Cross-sectional study design was adopted because the researcher wanted to gather data from the study institution at a single point in time. Thus, issues about the

internal audit function and corporate governance about CCMA were gathered once without tracking variations over time as certain conditions changes. According to Neuman (2006), a cross-sectional study design entails observation of a subset of a population, description of the current nature and conditions that exist, studying of the relationship between different variables at a single point in time and showing how variables affect each other.

This study design was adopted because the researcher assumed uniformity in the operational conditions of the Assembly in relation to issues about internal audit and corporate governance. This assumption was crucial because good corporate governance should always form the basis of the activities and decisions of the Assembly. Similarly, since the activities of the internal audit unit are governed by an Act, it is expected that all actions of the unit would be uniform as directed in the Act that establishes the Internal Audit Agency.

Sarantakos (2005) defines a descriptive study design as a design that involves compromise or contrast and attempts to discover relationships between existing variables. As a result, the study was designed to gather relevant and accurate information on the internal audit function and corporate governance at CCMA. The design combined both quantitative and qualitative techniques to examine the role of the internal audit function on corporate governance at CCMA.

### **Study Population, Sample Size, and Sampling Procedure**

The population of the study constituted all staff of the central administration of the Cape Coast Metropolitan Assembly, and Assembly members under the CCMA. There are a total of 119 workers under the central administration of the CCMA, 87 Assembly members under CCMA. The implication is that the total population of the study was 206.

The sampling frame for the study comprises the staff of the central administration of the CCMA and Assembly members of CCMA. According to Krejcie and Morgan (1970), a population of 206 requires a sample size of 132. Stratified random sampling technique was used to sample respondents for the study. The respondents were categorized into two strata, staff from central administration and Assembly members. Proportionate sampling was used to determine the number of respondents to be sampled from each stratum. Per the total numbers in each category in the population, staff from the central administration constituted 57.8 percent of the total population, whereas the Assembly members constituted 42.2 percent. Deducing these proportions from the sample size implies that 76 respondents were sampled from the staff of the central administration while 56 respondents were sampled from the Assembly members' category.

### **Method of Data Collection**

A survey was used as the data collection procedure for the study. Creswell (2003) indicates that the survey method of data collection is used when a researcher wishes to collect data from a segment of a population. According to Sarantakos (2005), the advantage of the survey data collection method is that it uses cost-effective procedures to gather data and generalize findings to cover the entire population. A questionnaire, as a method, was used to gather data from the respondents. Questionnaire administration enabled the respondents to administer the instruments at their own convenience without any pressure from their superiors. The disadvantage with the questionnaire administration was non-response and misplacement of the questionnaire.

### **Research Instrument**

The questionnaire was used as the instrument for data collection in the study. A questionnaire was used because all the respondents were perceived to be literates who can read and administer the instrument themselves without the

support of the researcher. The questionnaire was also used to enable the respondents to administer their instrument at their own convenient time without any pressure from superiors. It was perceived that the questionnaire would enable the respondents to present unbiased data on issues about internal audit functions and corporate governance at the CCMA. The use of questionnaire also enabled the respondents to hide their identity.

Both close-ended and open-ended questions were used to solicit data from the respondents. However, the majority of the questions were close-ended. Five-point Likert scale type of questions was also employed in the questionnaire.

### **Data Analysis**

The data was first cleaned to do away with grammatical errors and inconsistencies in responses. The data was entered into Statistical Product for Service Solutions (SPSS) software, version 21, for analysis. The data was processed by both SPSS and Microsoft Excel 2013 Professional Edition. Descriptive statistics such as frequencies, percentages, cross-tabulations, means and standard deviations, as well as chi square test of independence, were used to analyze the first and third research objectives, whereas descriptive statistics and regression were used to analyze the second research objective. Statistical tables were used to present aggregated trends in the data whereas charts were used to present the graphical representation of the data.

## **RESULTS AND DISCUSSIONS**

The outcome of the results from the study are discussed below:

The research objective of the study was to examine the challenges facing the internal audit function at CCMA. Brewer and List (2004), therefore, reports that it is always critical to assess the constraints enveloping the functionality of internal audit services before concluding on their level of effectiveness to corporate governance in any organization. Thus, some of the challenges confronting internal audit function are structurally emanating from policy inefficiencies and implementation challenges, which when left unresolved would continue to undermine the effective contribution of internal audit functions made to corporate governance.

The respondents were requested to indicate the extent to which access to financial records from various departments under the Assembly poses a challenge to their operations. This was imperative because one of the functions of internal audit is to ensure accuracy and timeliness of financial records and reporting. As a result, any delays may also affect the quality of the input of the internal audit function to corporate governance. The result shows that the majority (66.7%) of the respondents admitted that the activities of the internal audit function of the CCMA are being challenged by difficult access to financial records from some departments under the Assembly.

This is likely to reduce the effective contribution of the internal audit function to corporate governance because the unit may not have full and accurate financial records and data to inform policy formulation and management. In other words, the internal audit unit may not have all the necessary data to ensure that all the departments were adhering to the laid down standards and also to fashion-out the necessary training and development programmes for staff. This may also reduce transparency in financial transactions in some departments as well as accuracy in financial records of the internal audit unit of the Assembly.

It further shows that while the majority (82.9%) of the staff of CCMA strongly agreed and agreed that the internal audit function of the Assembly has difficult access to financial records from some departments, the majority (55.4%) of the Assemblypersons disagreed and strongly disagreed. A chi-square test of independence was used to assess the association between staff of CCMA and the Assemblypersons on the challenge of difficult access to financial records from some departments. This yielded a chi-square value of 68.4 ( $p$ -value = 0.001, degree of freedom = 7).

Since the asymptotic significance of 0.001 was lower than or within the acceptable margin of error of 0.05, there was the statistical significant association between the responses from the staff of CCMA and Assembly persons on difficult access to financial records from some departments. The difference could be attributed to the different roles being played by the two categories of respondents as well as the differences in their associations with the operations of the internal audit unit of the Assembly. Thus, the activities of the staff of the Assembly were more directly influenced by the functions of the internal audit unit than the Assemblypersons.

The study further examined how non-compliance by some departments towards directives from the internal audit unit poses the challenge to its operations. From the study, the majority (58.3%) of the respondents strongly agreed and agreed that non-compliance by some departments towards directives from the internal audit unit poses a challenge to the effectiveness of its operations, whereas 41.7 percent denied. This shows that some departments did not comply with the directives of the internal audit unit of the CCMA. The non-compliance of the directives from the unit could cause delays in its operations as well as reduce the quality of its contribution to corporate governance.

Another issue discussed under the research objective was the lack of adequate punitive measures to deter people from flouting directives from the internal audit unit. This was essential because the lack of punitive measures for defaulters could undermine the central control of the unit over the activities of the various departments. The results show that 47 percent of the respondents strongly agreed and agreed that the lack of adequate punitive measures to deter people from flouting directives from the internal audit unit poses a challenge to the operations of the unit, whereas the majority (53%) denied.

One respondent added, that “there are punitive measures in place but they are not implemented”. Another respondent also indicated, that “most of the punitive measures do not affect the individuals, rather the departments or sections, which make it difficult to implement them because their implementation would stifle the operations of the department and for that matter, the general populace, who are the ultimate beneficiaries”.

The implication is that the internal audit unit is unable to implement some of its punitive measures because of the negative repercussions on the ultimate beneficiaries of the development activities of the Assembly. This may explain the non-compliance of some of the departments towards directives from the internal audit unit as well as the difficult access to financial records from some departments.

The study sought the perception of the respondents about the view that the internal audit unit performs a witch-hunt exercise. This was important because the perception of the respondents on the activities of the unit may influence their attitude and level of compliance with the internal audit unit. The study found that 33.3 percent of the respondents perceived the operations of the internal audit unit as a witch-hunt exercise, whereas the majority (66.3%) denied. The implication is that the majority of the respondents perceived the activities of the internal audit unit as fair in ensuring proper accountability of various departments under the local government system.

Another issue considered under the section was the low competence of staff of the internal audit unit to carry out their activities. This is very essential because such a sensitive unit requires competent and experienced staff to maintain standards and ensure proper accountability. From the study, all the respondents disagreed and strongly disagreed that the staff of the internal audit unit were less competent to carry out their exercise. This implies that all the respondents had confidence in the ability of the staff of the internal audit unit to effectively execute their mandate.

The respondents were further asked to indicate if inadequate personnel to conduct proper and full-scale auditing of the activities of the Assembly was a challenge to the operations of the internal audit unit.

It was found out that the majority (65.2%) of the respondents strongly agreed and agreed that inadequate personnel to conduct proper and full-scale auditing of the activities of the Assembly was a challenge to the operations of the internal audit unit, whereas 34.8 percent disagreed and strongly disagreed. This is likely to negatively affect the quality work performed by the unit as indicated by Belay (2007) that when employees are overstretched by the scope of their activities without the necessary motivation and resources, they tend to do what they perceive as necessary to keep their jobs without necessarily considering the quality and effectiveness of their overall output on the performance and competitiveness of their organizations. The results further show that the majority of both staffs of CCMA (71%) and Assembly persons (57.2%) admitted that inadequate personnel to conduct proper and full-scale auditing of the activities of the Assembly is a challenge to the operations of the internal audit unit. This may also affect the timeliness of the unit to release internal audit reports to inform policy directions of the Assembly.

The study examined how the high cost of maintaining internal controls poses a challenge to the operations of the internal audit unit. This was important because the internal controls play a pivotal role in the effectiveness of the internal audit unit to good corporate governance. From the study, the majority (81.8%) of the respondents disagreed and strongly disagreed that high cost of maintaining internal controls poses a challenge to the activities of the internal audit unit, while 18.2 percent agreed and strongly agreed. The results disagree with Rishel and Ivancevich (2003) that internal audit functions are often limited by the high cost of monitoring and evaluating the adherence of institutions and departments to designed control systems to avoid the heavy loss. This could be attributed to the advancement in the use of computer software to track the level of adherence of departments over quarterly reviews.

The respondents were also requested to indicate how delays in the release of government subvention pose a challenge to the activities of the internal audit unit. This is very critical because any delays in the release of funds for the operation to the internal audit unit may undermine the independence, objective analysis, fairness in the activities of the unit, and total control of the unit over the activities of the various departments. From the study, all the respondents strongly agreed and agreed that delays in the release of government subvention pose a challenge to operations of the internal audit unit. The delays in the release of government subvention are likely to stifle the activities of the unit because they may be unable to effectively perform their roles during such periods. This is also likely to delay the reporting times of the unit to enhance transparency in the use of public resources. According to Bunget and David-Sobolevski (2009), frequent delays in the reporting times of internal audit units cast doubts on their competence and effectiveness in ensuring protecting the use of public resources to promote good corporate governance.

Another issue considered under the section was limited resources to the internal audit unit to carry out its exercise. This was essential because Christopher et al. (2010) report that the activities of most internal audit units in developing countries are constrained by limited financial and logistical support. The results posit that the majority (69.7%) of the



respondents strongly agreed and agreed that limited resources to the internal audit unit to carry out its exercise is a challenge to the operations of the unit at the CCMA, while 30.3 percent denied.

The results show that the internal audit unit of the CCMA is under-resourced. This is likely to reduce the capacity of the unit to effectively audit the transactions of the various departments under the Assembly for good corporate governance. According to Carcello et al. (2005), inadequate financial and logistical resources to internal audit units frustrate their contributions to good corporate governance.

It further shows that while the majority (80.5%) of the staff of CCMA strongly agreed and agreed that the activities of the internal audit unit are being challenged by limited resources, the majority (57.2%) of the Assemblypersons disagreed and strongly disagreed. A chi-square test of independence was used to assess the association between staff of CCMA and the Assembly persons on the challenge of limited resources to the internal audit unit to carry out its exercise. A chi-square value 77.5 (p-value = 0.001, degree of freedom = 7) shows that there was a significant association between staff of CCMA and Assembly persons on limited resources posing a challenge to the activities of the internal audit unit. Thus, since the asymptotic significance of 0.001 was lower than or within the acceptable margin of error of 0.05, there was a statistical significant association between the responses from the staff of CCMA and Assembly persons on limited resources posing a challenge to the activities of the internal audit unit.

The difference in the perceptions of the two categories of respondents could be attributed to the differences in their roles and levels of the encounter with the activities of the internal audit unit. In other words, while the staff of the CCMA relates more with the internal audit unit in their daily transactions, the Assemblypersons mostly encounter the unit during annual reviews of the activities of the Assembly. As a result, most of the Assemblypersons may not know how limited resources to the internal audit unit frustrate their activities. Colbert (2002) posits that limited resources to the internal audit unit undermine their independence and objective assessment of transactions, which may further undermine good corporate governance.

The respondents were further requested to indicate how interferences from management and other stakeholders pose a challenge to the operations of the internal audit unit. This is very critical because interferences into the operations of the internal audit unit undermine its independence and objective assessment of transactions. The results show that a little over half (53%) of the respondents disagreed and strongly disagreed that interferences from management and other stakeholders were a challenge to the operations of the internal audit unit, whereas 47 percent strongly agreed and agreed.

The results show that the majority of the respondents perceived that management and other stakeholders do not interfere with the operations of the internal audit unit. This could help to strengthen the independence and objectivity of the internal audit unit which would help to enhance the credibility of the outputs and suggestions of the unit. According to Colbert (2002), the independence of the internal audit unit is central to the credibility and responsiveness of its outputs and suggestions to problems surrounding public financial management and good corporate governance.

Nevertheless, a quite significant proportion (47%) of the respondents perceived that management and other stakeholders are eroding the independence of the internal audit unit of the Assembly. This is very critical since such perception could negatively affect the seriousness people may attach to suggestions and directives from the internal audit unit. This may explain the non-compliance of some of the departments to the directives of the internal audit unit as reported by the European Commission (2003) that once people perceive the operations of the internal audit unit as the extension of political hands, they lose trust and confidence in their directives and begin to disobey their suggestions and

guidelines.

The result further shows that while the majority (56.6%) of the staff of CCMA strongly agreed and agreed that interferences from management and other stakeholders pose a challenge to the activities of the internal audit unit, the majority of the Assembly members (66.1%) disagreed and strongly disagreed. A chi-square test of independence was used to assess the association between staff of CCMA and the Assemblypersons on the interferences from management and other stakeholders posing a challenge to the operations of the internal audit unit. This yielded a chi-square value of 39.4 (p-value = 0.084, degree of freedom = 7). Since the asymptotic significance of 0.084 was higher than the acceptable margin of error of 0.05, there was no statistically significant association between the responses from the staff of CCMA and Assemblypersons on interferences from management and other stakeholders posing a challenge to the operations of the internal audit unit. The implication is that both respondent categories generally perceived that the internal audit unit does not face the challenge with interferences from management and other stakeholders.

The study sought to examine the role of internal audit function in corporate governance at the CCMA. The study adopted a cross-sectional and descriptive study designs. A total of 132 respondents, comprising 76 staff of CCMA and 56 Assemblypersons, were sampled from a population of 206. Stratified random sampling was used to sample respondents for the study. The study adopted questionnaire as the instrument to gather data from the respondents. The data was processed by both SPSS and Microsoft Excel 2013 Professional Edition. Descriptive statistics such as frequencies, percentages, cross-tabulations, means and standard deviations as well as chi-square test of independence were used to analyze the research objective.

## CONCLUSIONS

Internal auditing function is central to good corporate governance.

The study found that the effectiveness of internal auditing to corporate governance was limited by delays in the release of subvention, difficult access to financial records from some departments under the Assembly, and lack of punitive measures to deter people from flouting directives from the internal audit unit. The study concludes that the contribution of the internal auditing function to corporate governance is determined by the structural position of the internal audit unit to the entire organization, the availability of the requisite personnel and financial capacity to execute tasks, as well as having the legal backing to sanction people who flout directives from the unit.

A majority (66.7%) of the respondents admitted that the activities of the internal audit function of the CCMA are being challenged by difficult access to financial records from some departments under the Assembly.

The study revealed that there were punitive measures in place to deter people from flouting directives from the internal audit unit but they were not being implemented.

A majority (65.2%) of the respondents agreed that inadequate personnel to conduct proper and full-scale auditing of the activities of the Assembly was a challenge to the operations of the internal audit unit.

All the respondents agreed that delays in the release of government subvention pose a challenge to operations of the internal audit unit.

A majority (69.7%) of the respondents strongly agreed and agreed that a limited resource to the internal audit unit to carry out its exercise is a challenge to the operations of the unit at the CCMA.

### Based on the Findings and Conclusion the Study Recommends the Following

The management of CCMA should deepen its role in implementing the reports of the internal audit unit to the point where all staff will indeed attest to its practicability. This will help to increase the confidence of staff of reports issued by the internal audit unit.

The local government service in consultation with the internal audit agency should employ more people in the unit to enable them to conduct proper and full-scale financial assessment. This would help to boost the capacity of the unit to perform its functions.

The Office of the District Assemblies' Common Fund and the internal audit agency should release subvention for the internal audit unit at CCMA on time. This would enable them to effectively perform their roles to support and improve corporate governance at CCMA.

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**APPENDIX A: QUESTIONNAIRE FOR STAFF OF CCMA**

Dear Sir/Madam,

This questionnaire is designed to examine the internal audit function in corporate governance at the Cape Coast Metropolitan Assembly. It aims at examining the challenges facing the internal audit function at CCMA. This is purely for academic exercise. I humbly request that you provide information based on the stated aims. Any information given would be treated with utmost confidentiality.

Thank you

**Section A: Background Characteristics of Respondents**

- Category of respondent: [1] Staff [2] Assembly member
- Sex of respondent: [1] Male [2] Female
- Age (years) of respondent: [1] Below 20 [2] 20 – 29 [3] 30 – 39 [4] 40 – 49 [5] 50 – 59 [6] 60 and above
- Highest level of education: [1] Basic [2] SHS [3] Tertiary
- Length of years of service: .....
- Department: [1] Finance [2] Cooperatives [3] Administration [4] Internal Audit [5] Others .....

**Section B: Challenges facing the internal audit function at CCMA**

- How do you agree to the following as the challenges confronting the internal audit function at CCMA? Using strongly disagree = 1, disagree = 2, Agree = 3, strongly agree = 4

**Table 1**

Challenges	1	2	3	4
Difficult access to financial records from some departments				
Delays in financial reporting by some departments				
Non-compliance by some departments towards directives from the internal audit unit				
Lack of adequate punitive measures to deter people from flouting directives from the internal audit unit				
Perception of people that the internal audit unit performs a witch-hunt exercise				
Less competence of internal audit staff to carry out exercise				
Inadequate personnel to conduct proper and full scale auditing of the activities of the Assembly				
High cost of maintaining internal control				
Delays in the release of government subvention				
Limited resources to the internal audit unit to carry out its exercise				
Interferences from management and other stakeholders				
Lack of independence				

**Any Additional Information**

Thank you

## APPENDIX B: QUESTIONNAIRE FOR ASSEMBLY MEMBERS OF CCMA

Dear Sir/Madam,

This questionnaire is designed to examine the internal audit function in corporate governance at the Cape Coast Metropolitan Assembly. It aims at examining the challenges facing the internal audit function at CCMA. This is purely for academic exercise. I humbly request that you provide information based on the stated aims. Any information given would be treated with utmost confidentiality.

Thank you

### Section A: Background Characteristics of Respondents

- Sex of respondent: [1] Male [2] Female
- Age (years) of respondent: [1] Below 20 [2] 20 – 29 [3] 30 – 39 [4] 40 – 49 [5] 50 – 59 [6] 60 and above
- Highest level of education: [1] Basic [2] Secondary [3] Tertiary [4] N/A
- Number of terms serving as an Assembly member:
- Serving committee(s) [1] Budget [2] Finance & Administration [3] ARIC [4] Revenue Mobilization [5] Other.

### Section B: Challenges Facing the Internal Audit Function at CCMA

- How do you agree to the following as the challenges confronting the internal audit function at CCMA? Using strongly disagree = 1, disagree = 2, Agree = 3, strongly agree = 4

**Table 2**

Challenges	1	2	3	4
Difficult access to financial records from some departments				
Delays in financial reporting by some departments				
Non-compliance by some departments towards directives from the internal audit unit				
Lack of adequate punitive measures to deter people from flouting directives from the internal audit unit				
Perception of people that the internal audit unit performs a witch-hunt exercise				
Less competence of internal audit staff to carry out exercise				
Inadequate personnel to conduct proper and full scale auditing of the activities of the Assembly				
High cost of maintaining internal control				
Delays in the release of government subvention				
Limited resources to the internal audit unit to carry out its exercise				
Interferences from management and other stakeholders				
Lack of independence				